Updated Pathfinder Initiative Proposal
on Building Blocks for Facilitating Digital Trade

Supporters: Australia, Canada, Chile, Japan, Korea, Mexico, New Zealand, Peru, Singapore, Chinese Taipei, and the United States

Introduction

It is widely acknowledged that the digitization of global commerce and digital innovations such as the Internet of Things has brought tremendous growth and opportunity for a vast majority of economies around the world. Digital trade is a part of this transformative economic activity. APEC Leaders have also increasingly underscored the vital nature of the digital economy to the region's continued economic growth by, among other actions, "recognizing the importance of facilitating e-commerce and digital trade, including the identification and reduction of unjustified barriers". A 2016 report by McKinsey Global Institute shared that in 2014 approximately $30 trillion worth of goods, services and finances was transferred across borders; around 12% of international trade is estimated to have occurred through global e-commerce platforms such as Alibaba and Amazon; and 50% of traded services are already digitized. According to this report, the international dimension of data flows has increased global GDP by approximately 10% (a value of $7.8 trillion in 2014); data flows represent an estimated $2.8 trillion of this added value.

APEC has been active in the area of e-commerce and the digital economy since the late 1990's. In 1998, APEC Leaders adopted the APEC Blueprint for Action on Electronic Commerce, and through that Blueprint created the Electronic Commerce Steering Group (ECSG) in 1999. In 2004, APEC Ministers also endorsed the APEC Privacy Framework, which provided for a unifying baseline for APEC economies' privacy policies. Work in the area of e-commerce has expanded to include work streams related to the broader digital or internet economy, including, for example, the adoption in 2008 of the Digital Prosperity Checklist, and the 2015 SME Working Group's Digital Economy Action Plan. In 2017, APEC developed the Framework on Cross-Border E-commerce Facilitation and the APEC Internet and Digital Economy Roadmap. Also in 2017, the APEC Policy Support Unit (PSU) issued a paper titled, "Facilitating Digital Trade for Inclusive Growth – Key Issues in Promoting Digital Trade in APEC". The Committee on Trade and Investment (CTI) has been examining the issues surrounding digital trade through a series of trade policy dialogues since 2016.   CTI endorsed the Work Plan to identify building blocks to facilitate digital trade for 2018.   To better address APEC's growing scope of work and interest in the digital economy, in 2018 Senior Officials agreed to restructure the ECSG into the Digital Economy Steering Group.

Building Blocks to Facilitate Digital Trade

The purpose of this proposal is for APEC to continue examining issues related digital trade, including cross-border e-commerce, and to begin creating a list of best practices and policy guidance that will serve as "building blocks" for economies to facilitate digital trade within and outside their economies, and to promote innovative, inclusive, and sustainable growth in the region and globally.

The building blocks are intended to be a voluntary set of guidance for policy makers. The building blocks can also help to identify areas for capacity building to assist economies as they develop policies that align

with the building blocks. The development of building blocks will be an iterative process through which new building blocks may be added over time.

To strengthen the growth of the digital economy and enhance opportunities for our businesses and consumers, APEC economies that are members of the Pathfinder commit to support the following building blocks to facilitate digital trade.

- **Building Block 1**: Enabling the free flow of information and data, acknowledging applicable domestic laws and regulations, while ensuring reasonable standards of data protection, privacy, and security;

- **Building Block 2**: Adopting policies that minimize unjustified requirements to localize data as a condition of conducting commercial activity;

- **Building Block 3**: Cooperating in the area of intellectual property protection and enforcement to develop IP policies that support digital trade, taking into account the importance of innovation and creativity;

- **Building Block 4**: Cooperating to protect personal information and promote consumer protection and trust in the digital environment;

- **Building Block 5**: Modernizing of customs and logistics procedures for facilitating commerce and accelerate the implementation of the WTO Trade Facilitation Agreement;

- **Building Block 6**: Developing policies that promote greater participation in the digital economy by MSMEs;

- **Building Block 7**: Promoting risk-based approaches to digital security that utilize globally recognized standards, including those developed by the International Organization for Standardization (ISO);

- **Building Block 8**: Promoting a transparent and predictable regulatory environment in digital trade and e-commerce; and

- **Building Block 9**: Cooperating to advance emerging technologies related to digital trade and e-commerce.

- **Building Block 10**: Promoting the development of digital infrastructure and achievement of universal broadband access.

Annex: Objectives, Implementation, and Proposed Outcomes for Pathfinder Initiative Proposal on Building Blocks for Facilitating Digital Trade

1) **How the initiative supports the achievement of the Bogor goals or other Ministerial or Leaders' goals:** The Pathfinder on Building Blocks for Facilitating Digital Trade will contribute to the Bogor Goals of free and open trade and investment by identifying policies to reduce barriers to digital trade, enable the free flow of data, and increase opportunities for businesses in the digital economy. The APEC Business Advisory Council (ABAC) 2019 letter to Ministers Responsible for Trade recognizes the potential contribution of these issues toward achieving the Bogor Goals by recommending the needs of the digital economy including digital trade be included in APEC's Bogor Goals work program. APEC Leaders have also increasingly underscored the vital nature of the digital economy to the region's continued economic growth. In 2017, APEC Leaders recognized "…the importance of facilitating e-commerce and digital trade, including the identification and reduction of unjustified barriers." In 2018, APEC Trade Ministers also recognized "the importance of the Internet, Digital Economy, as well as E-commerce and Digital Trade" as well as "the importance of capacity building, sharing best practices, facilitating mutual understanding by conducting case studies and promoting E-commerce and digital trade in the region, recognizing the need to address opportunities and challenges of developing member economies." Additionally, issues addressed in the Pathfinder are included in the 2017 APEC Roadmap on the Internet and Digital Economy in key focus areas such as: Facilitation of e-commerce and cooperation on digital trade; Promoting coherence and cooperation of regulatory approaches affecting the Internet and Digital Economy; Promoting innovation and adoption of enabling technologies and services; and Facilitating the free flow of information and data for the development of the Internet and Digital Economy, while respecting applicable domestic laws and regulations.

2) **How it intends to meet the ultimate objective of Pathfinder initiatives, which is to achieve full participation by APEC members and thus, become a regular APEC initiative:** The Pathfinder will build the understanding of economies on policies and regulatory frameworks to facilitate digital trade by sharing best practices and experiences of policy development. The Committee on Trade and Investment (CTI) has also held a series of Trade Policy Dialogues on Digital Trade since 2016. These discussions, as well as ongoing capacity building efforts in the CTI and Digital Economy Steering Group (DESG) on digital trade and digital economy-related issues, will help support further awareness and understanding by APEC economies of the economic importance of facilitating digital trade, increasing Pathfinder membership.

3) **How business will benefit from the initiative and how participating economies and APEC generally can promote benefits of the initiative to the business community:** The digital economy presents immense opportunity for businesses to expand their operations, particularly MSMEs. The 2019 APEC Business Advisory Council letter to Ministers Responsible for Trade recommends that the needs of the digital economy including digital trade be included in APEC's work program toward the Bogor Goals. Additionally, the letter recognizes the importance of the digitization of services and ambitious outcomes on e-commerce in the WTO, among other digital-related issues.

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is estimated to have occurred through global e-commerce platforms such as Alibaba and Amazon; and 50% of traded services are already digitized. According to this report, the international dimension of data flows has increased global GDP by approximately 10% (a value of $7.8 trillion in 2014); data flows represent an estimated $2.8 trillion of this added value. For businesses to continue to increase their growth through digital trade and e-commerce means, it will be important that economies adopt policies that enable their growth. The building blocks outlined in this Pathfinder will support these goals. Additionally, capacity building activities, dialogues, and other discussions related to this Pathfinder will endeavor to include participation of the private sector.

4) **How it will ensure it does not duplicate work being conducted by other Pathfinders or any other APEC initiative:** Digital economy related issues are increasingly a key theme and priority across APEC, including in CTI. The Pathfinder will contribute to APEC's digital agenda by increasing the understanding how policies contribute to the facilitation of digital trade specifically, which will help build the understanding and awareness of economies as APEC undertakes initiatives on complementary issues. The Pathfinder members will coordinate with relevant Committees and committee subfora to ensure that the Pathfinder contributes to APEC's overall digital economy agenda and through specific areas of work.

5) **A detailed plan for capacity building, aimed at securing wide participation:** Pathfinder supporters will advance capacity building on these issues through ongoing efforts in the CTI, DESG, and other relevant subfora, as well as efforts to implement related APEC initiatives. Additionally, Pathfinder supporters will address Pathfinder issues in new proposals for capacity building workshops and dialogues, as appropriate, aimed at increasing the understanding of APEC economies. Pathfinder supporters will also discuss these issues as part of the regular CTI agenda.

   The Pathfinder can be amended to facilitate joining of new members or to address new and emerging issues should all Pathfinder members agree.

6) **A preliminary work program stating activities for fulfilling the aims of the Pathfinder**:
   - **CTI 2 2019:** 11 economies join Pathfinder
   - **CTI Meetings:** Pathfinder supporters will discuss implementation of the Pathfinder, including best practices in their economies, at CTI Plenary meetings
   - **Ongoing:** Pathfinder supporters will solicit increased participation in Pathfinder
   - **Ongoing:** Pathfinder supporters will integrate discussion of these issues through ongoing efforts and new proposals for capacity building activities in relevant APEC fora, as appropriate

7) **A plan for evaluation on its fourth year, aimed at identifying the way forward for the Pathfinder:** CTI will evaluate the Pathfinder in May 2023 by the number of economies that have signed on to the Pathfinder and further opportunities to achieve consensus should that not have been reached by that time. Pathfinder supporters will also determine if the substance of the Pathfinder still appropriately addresses current and emerging digital trade policy issues.